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NO.

# IN THE
# SUPREME COURT OF THE UNITED STATES

## OCTOBER TERM, 1994

SKRMETTA MACHINERY CORP.
Petitioner

VERSUS

LAITRAM MACHINERY, INC.
Respondent

ON PETITION FOR WRIT OF CERTIORARI TO THE
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

## PETITION FOR WRIT OF CERTIORARI

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76 pp

## QUESTIONS PRESENTED FOR REVIEW

I. WHETHER AND UNDER WHAT CIRCUMSTANCES AN APPELLATE COURT, ON PETITION FOR WRIT OF MANDAMUS, MAY REVIEW A LOWER COURT'S FINDING OF JURISDICTION WHERE THE CHALLENGED ASSERTION OF JURISDICTION DEPENDS ON AN UNDERLYING FACTUAL DETERMINATION.

II. WHETHER AND UNDER WHAT CIRCUMSTANCES AN APPELLATE COURT, ON PETITION FOR WRIT OF MANDAMUS, MAY REVIEW A LOWER COURT'S NONAPPEALABLE INTERLOCUTORY RULING WHERE THAT RULING WAS MADE WITHIN THE DISCRETIONARY POWERS OF THE LOWER COURT.

III. WHETHER THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT, IN THIS MANDAMUS ACTION, CAN REVIEW THE INTERLOCUTORY RULINGS OF THE DISTRICT COURT UNDER THE STANDARD OF REVIEW RESERVED FOR APPELLATE REVIEW FOLLOWING FINAL JUDGMENT.

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## DECISIONS BELOW

1. April 28, 1994, decision by the United States District Court for the Eastern District of Louisiana. (Appendix B).

2. November 16, 1994, transcript of hearing and ruling by the United States District Court for the Eastern District of Louisiana. (Appendix C).

3. December 22, 1994, transcript of hearing and ruling by the United States District Court for the Eastern District of Louisiana. (Appendix D).

4. March 21, 1995, decision by the Court of Appeals for the Federal Circuit granting Petition for Writ of Mandamus. (Appendix A).

## JURISDICTION

The judgment sought to be reviewed is the March 21, 1995, decision of the United States Court of Appeals for the Federal Circuit entitled In Re Laitram Machinery, Inc., Miscellaneous No. 421 (Appendix A). That action arose as an application for a writ of mandamus.

The underlying suit began as a claim by Respondent, Laitram Machinery, Inc. ("Laitram"), in the United States District Court for the Eastern District of Louisiana alleging violations of antitrust laws and the Lanham Act, 15 U.S.C. § 1125(a); seeking a declaratory judgment under the patent laws of the United States, 35 U.S.C. §§ 1-376, and further relief based thereon pursuant to 28 U.S.C. §§ 2201 and 2202; and for related alleged acts of unfair practices, libel and defamation. Respondent, Laitram, originally brought this action against Petitioner, Skrmetta Machinery Corporation ("Skrmetta"), and other defendants. Laitram settled with the defendants other than Skrmetta. Petitioner, Skrmetta, filed a counterclaim against Laitram for antitrust violations and unfair competition and also sought declaratory judgments of invalidity, unenforceability and non-infringement of three patents held by Respondent. Jurisdiction in this Court is based upon this Court's judicial power to review cases arising under the laws of the United States, United States Constitution Article III § 2, cl. 1, and 28 U.S.C. § 1254.

## STATUTES INVOLVED

This petition raises issues concerning the following statute of the United States:

28 U.S.C § 1651:

> (a) The Supreme Court and all courts established by Act of Congress may issue all writs necessary or

appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law.

(b) An alternative writ or rule nisi may be issued by a justice or judge of a court which has jurisdiction.

## STATEMENT OF THE CASE

Petitioner, Skrmetta, is a Louisiana corporation engaged in the manufacture, sale and lease of equipment used to process and package shrimp in the seafood industry. Respondent, Laitram, is a Louisiana corporation which also manufactures, sells and leases such equipment. Skrmetta and Laitram are competitors in this business.

Laitram holds several patents on seafood processing equipment, three of which are pertinent here. The patents are: (1) U.S. Patent 4,862,794 ("the '794 patent") entitled "Apparatus for Controlling Precooking and Machine Peeling Shrimp";[1] (2) U.S. Patent 5,120,265 ("the '265 patent") entitled "Apparatus for and Methods for Improving the Yield of Peeled Shrimp Meat Obtained with Roller Type Shrimp Peeling Machinery"; and (3) U.S. Patent 5,184,538 ("the '538 patent") entitled "High Efficiency Steam Cooker."

In November, 1992, Laitram filed the underlying lawsuit in the United States District Court for the Eastern District of Louisiana against Carnitech A/S, a Danish Corporation, Seafood Equipment Development Corporation, a Florida corporation, and Skrmetta for alleged antitrust violations, declaratory judgment and related claims. Thereafter, Laitram settled its claims with Carnitech and Seafood Equipment Development Corporation.

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[1] The patent was reissued as Re. 34,646 on June 28, 1994. We refer to the patent as the '794 patent.

On February 18, 1994, Skrmetta and related parties[2] filed a counterclaim against Laitram and other parties.[3] In that counterclaim, Skrmetta also alleged various antitrust and Lanham Act violations; sought a declaratory judgment of patent invalidity and/or unenforceability and non-infringement regarding the '794, '538 and '265 Laitram patents; and alleged unfair trade practices, intentional interference with business relations and abuse of process against Laitram.

Thereafter, Laitram moved to dismiss Skrmetta's patent declaratory judgment counterclaims with respect to all of the patents for failure to state a claim upon which relief can be granted under Federal Rule of Civil Procedure 12(b)(6) or for lack of subject matter jurisdiction under Federal Rule of Civil Procedure 12(b)(1). On April 28, 1994, the United States District Court for the Eastern District of Louisiana treated Laitram's motion as a motion for summary judgment and denied the motion, without prejudice. (Appendix B).

On October 18, 1994, Laitram moved for summary judgment, again seeking dismissal of the patent declaratory judgment counterclaims asserted by Skrmetta or, in the alternative, seeking leave to inspect Skrmetta's equipment to determine if there was a possible patent infringement and a fifteen-day extension of time after inspection within which to amend its pleadings to include patent infringement, if appropriate.

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[2] Skrmetta added Barbara Skrmetta, Dennis Skrmetta, Eric Skrmetta and Melissa Skrmetta as cross-plaintiffs (collectively referred to as "Skrmetta").

[3] Skrmetta joined several other parties as cross-defendants, including The Laitram Corporation, George Charles Lapeyre, Brent A. Ledet, James M. Lapeyre, Donald Quick, James Saul, Asgeir Bjarnasson, John Doe and John Doe II (collectively referred to as "Laitram").

At a hearing on November 16, 1994, the District Court denied Laitram's motion for summary judgment and dismissal of the counterclaim, finding that a case of actual controversy existed between the parties with respect to the patents at issue and, therefore, that it had jurisdiction to entertain Skrmetta's declaratory judgment counterclaims. 28 U.S.C. § 2201. (Appendix C). In so doing, the District Court relied on its factual finding that there was a reasonable apprehension on the part of Skrmetta that it would face an infringement suit and that Laitram was aware of a particular product of Skrmetta that might infringe the patents at issue. Additionally, the District Court, pursuant to its discretionary power under Federal Rule of Civil Procedure 15(a), denied Laitram's alternative motion for leave to amend its complaint to claim infringement of the '794 patent, finding that the granting of an extension would unduly delay the matter. The District Court also denied Laitram's request to stay discovery and to certify the denial of dismissal for immediate appeal. (Appendix C). On December 22, 1994, the District Court denied Laitram's motion for reconsideration of Laitram's motion for leave to file a counterclaim for patent infringement of the '794 patent. (Appendix D).

Thereafter, Laitram filed a Petition for Writ of Mandamus in the Court of Appeals for the Federal Circuit (hereinafter sometimes referred to as "the Court of Appeals") to direct the District Court to dismiss those declaratory judgment counterclaims concerning the '265 and '538 patents and to grant Laitram leave to file a counterclaim for infringement of the '794 patent. On March 21, 1995, the Court of Appeals for the Federal Circuit granted Laitram's Petition for Writ of Mandamus and, in part, directed the District Court to: (1) dismiss Skrmetta's declaratory judgment counterclaims concerning the '265 and '538 patents; and (2) grant Laitram leave to file a counterclaim for infringement of the '794 patent. (Appendix A).

In dismissing Skrmetta's declaratory judgment counterclaims,

the Court of Appeals stated that the District Court "incorrectly found a case of actual controversy concerning the '265 and '538 patents" and that it "erred in its analysis" regarding the "declaratory justiciability of those claims." Therefore, the Court of Appeals reasoned, the District Court exceeded its jurisdiction by entertaining those counterclaims. This jurisdictional determination was based upon the same statute and corresponding test that the District Court used in determining that there was a case of actual controversy. 28 U.S.C. § 2201. The Court of Appeals, however, made its own findings of fact and independent determination that there was no case of actual controversy and, therefore, that there was no jurisdiction to entertain those claims. (Appendix A).

Further, in granting Laitram leave to amend its complaint to assert a counterclaim for infringement of the '794 patent, the Court of Appeals found that the District Court "clearly abused its discretion" in refusing to permit Laitram to amend its complaint. The Court of Appeals further stated that the District Court "clearly erred" in determining that it would be indicative of undue delay to grant Laitram an extension to amend its complaint. Again, the Court of Appeals relied on the same body of law upon which the District Court relied in making its ruling. Fed. R. Civ. P. 15(a). (Appendix A).

## ARGUMENT

This Court should grant certiorari and resolve the conflict that the Court of Appeals for the Federal Circuit has created concerning the scope of the Courts of Appeals' mandamus authority under the All Writs Act, 28 U.S.C. § 1651(a). Two considerations in favor of granting certiorari are presented by this petition. See Supreme Court Rule 10.1(a).

First, the Court of Appeals' decision to review, under its

mandamus authority, the District Court's jurisdictional determination conflicts with decisions rendered by other federal courts of appeals on this issue. Those other courts have found that reviewing such jurisdictional errors under their mandamus authority is not appropriate where the challenged assertion of jurisdiction is based on a factual determination made by the lower court. Supreme Court Rule 10.1(a).

When deciding whether declaratory judgment actions can properly be heard under the Declaratory Judgment Act, a court must initially find that "a case of actual controversy" exists under the facts presented. 28 U.S.C. § 2201. This "case of controversy" requirement is a jurisdictional predicate for declaratory judgment. Arrowhead Indus. Water, Inc. v. Ecolochem, Inc., 846 F.2d 731 (Fed. Cir. 1988); Grain Processing Corp. v. American Maize-Products Co., 840 F.2d 902 (Fed. Cir. 1988). A finding of "actual controversy" where patent rights and relationships are at issue requires more than the existence of an adversely held patent. Rather, there must be both (1) an explicit threat or action by the patentee which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity. BP Chemicals Ltd. v. Union Carbide Corp., 4 F.3d 975, 977 (Fed. Cir. 1993). Accordingly, in the instant case, the District Court applied its factual findings to these requirements, found an actual controversy existed with respect to the patents and, therefore, found that it had jurisdiction.

Likewise, National Right to Work Legal Defense v. Richey, 510 F.2d 1239 (D.C. Cir. 1975), cert. denied, 95 S.Ct. 2631 (1975), involved, in part, a determination by a district court that it had jurisdiction to entertain a suit under Section 102 of the Labor-Management Reporting and Disclosure Act of 1959, 29 U.S.C. § 412. Following that ruling, the defendants filed a

petition for a writ of mandamus seeking to vacate the District Court's ruling and dismiss the plaintiff's claims for lack of jurisdiction over the subject matter. The Court of Appeals for the District of Columbia Circuit, while expressing no view whether or not jurisdiction was appropriate, denied the writ. In so doing, the Court stated:

> Even if the district judge's finding of jurisdiction should ultimately be held to be erroneous, his determination that jurisdiction does exist is not the clear usurpation of judicial power traditionally required for the issuance of mandamus. As the Supreme Court said in Ex Parte Chicago, R.I. and Pac.Ry., 255 U.S. 273, 275, 41 S.Ct. 288, 289, 65 L.Ed. 631 (1921):
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> > There is a well-settled rule by which this court is guided upon applications for a writ of prohibition to prevent a lower court from wrongly assuming jurisdiction of a party, of a cause, or of some collateral matter arising therein. If the lower court is clearly without jurisdiction, the writ will ordinarily be granted ... If, however, the jurisdiction of the lower court is doubtful, ... or if the complaining party has an adequate remedy by appeal or otherwise ... the writ will ordinarily be denied.

Nat'l Right to Work, 510 F.2d at 1242 (emphasis added) (citations and footnote omitted).[4]

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[4] See also, In re: United States Parole Comm'n, 739 F.2d 338, 342-343 (D.C. Cir. 1986) ("even if we were to conclude that the District Court simply erred in entertaining [the] suit, it would not follow that mandamus lies. The District Court had jurisdiction to determine its own jurisdiction and mandamus may not substitute for an appeal. If lack of jurisdiction is not clear, but merely doubtful, the writ should be denied." (Footnotes omitted).

Further, the Court emphasized that the case at hand was not one in which denial of mandamus would reduce or eliminate effective appellate scrutiny. Review of the jurisdictional question would be fully available on appeal from a final judgment. Id. at 1242.

This case illustrates a stance by the Court of Appeals for the District of Columbia Circuit that it is not appropriate to invoke its mandamus authority to review a district court's jurisdictional finding where the challenged assertion of jurisdiction depends on the district court's factual determination, even if that ruling may be erroneous, at least where an opportunity for review on appeal after final judgment exists. Conversely, in the case at hand, the Court of Appeals, under like circumstances, found mandamus to be appropriate. In both cases, the District Court found that it had statutory jurisdiction under the facts present and in both cases, appellate review was still available after final judgment. See, e.g., Bankers Life & Casualty Co. v Holland, 74 S.Ct. 145, 148 (1953). However, unlike the Court of Appeals for the Federal Circuit, the Court of Appeals for the District of Columbia Circuit found the circumstances inappropriate for exercising its mandamus authority. Thus, the Court of Appeals for the Federal Circuit has created a conflict in the circuit courts as to this issue.[5]

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[5] In the same vein, an observation in Griffin B. Bell, The Federal Appellate Courts and the All Writs Act, 23 SW.L.J. 858 (1969), reveals a conflict in other circuit courts. Therein, the writer notes:

> The greater number of writs have issued when the trial court's action has been said to amount to "jurisdictional error." In this connection, mandamus has issued to compel an exercise of jurisdiction directed by statute and, similarly, to prevent a district judge from asserting jurisdiction where prohibited by statute. Although appellate courts generally refuse to hear petitions for mandamus when the challenged

Additionally, the ruling by the Court of Appeals for the Federal Circuit granting Laitram leave to amend its complaint has created a conflict with other circuit courts where similar discretionary rulings are at issue. In ruling on this issue, both the District Court and the Court of Appeals relied on Federal Rule of Civil Procedure 15(a) which provides, in pertinent part, that "a party may amend the party's pleadings only by leave of court or by written consent of the adverse parties; and leave shall be freely given when justice so requires." Clearly, the decision of whether justice requires amendment is committed to the discretion of the district judge. Union Planters Nat'l. Leasing v. Woods, 687 F.2d 117, 121 (5th Cir. 1982). In asserting that discretion, the Supreme Court's pronouncement in Foman v. Davis, 371 U.S. 178, 83 S.Ct. 227, 9 L.Ed.2d 222 (1962) comes into play. Therein

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> assertion of jurisdiction depends on a fact determination, two circuits have issued the writ to prevent a district court from hearing a case after erroneously finding jurisdiction over the subject matter or the parties.

Id. at 864 (emphasis added) (footnotes omitted). See Holub Indus., Inc. v. Wyche, 290 F.2d 852 (4th Cir. 1961); Allstate Ins. Co. v. United States Dist. Ct., 264 F.2d 38 (6th Cir. 1959); Smith's Transfer Corp. v. Barksdale, 259 F.2d 498 (4th Cir. 1958); Electric & Musical Indus., Ltd., 249 F.2d 308 (2d Cir. 1957); Blaw-Knox Co. v. Lederle, 141 F.2d 973 (6th Cir. 1945).

It is important to contrast a case entertained by this Court which entailed a question of "jurisdictional error." See Mallard v. United States District Court, 490 U.S. 296, 109 S.Ct. 1814, 104 L.Ed.2d 318 (1989). There, the District Court had asserted jurisdiction pursuant to 28 U.S.C. Section 1915(d), requiring the petitioner to represent indigent inmates in a civil action. This Court found that the statute relied upon by the District Court did not authorize the federal courts to require an attorney to represent an indigent litigant in a civil case. Thus, this Court found that mandamus was appropriate, stating that "the District

the court stated:

> If the underlying facts or circumstances relied upon by a [party] may be a proper subject for relief, he ought to be afforded an opportunity to test his claim on the merits. In the absence of any apparent or declared reason - such as undue delay, bad faith, or dilatory motive on the part of movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of the allowance of the amendment, futility of amendment, etc. - the leave sought should, as the rules require, be "freely given."

Id., 31 U.S. at 182, 83 S.Ct. at 230 (emphasis added).

In making its ruling that an extension would be indicative of undue delay, the District Court considered these factors. Likewise, the Court of Appeals specifically referred to this guideline and, finding that the District Court lacked good reason to deny Laitram leave to amend, ruled that the District Court "clearly

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Court plainly acted beyond its 'jurisdiction' . . . for . . . § 1915(d) does not authorize coercive appointments of counsel." (Emphasis added). Id. at 1822. This Court further noted that the petitioner had no alternate remedy available and that, therefore, he had met the "demanding standard" required for issuance of a writ of mandamus. Importantly, the District Court in Mallard had no authority whatsoever, under any facts, to require an attorney to provide representation in a civil case. The Court was "clearly without jurisdiction." This is distinct from the case at hand wherein jurisdiction is merely "doubtful" since the District Court unquestionably has jurisdiction to entertain a declaratory judgment action where the facts presented constitute a case of actual controversy under the Declaratory Judgment Act. 28 U.S.C. § 2201.

abused its discretion" in that regard. (Appendix A). As with all discretionary powers, a decision of a district court denying a party leave to amend is reviewable on appeal for "abuse of discretion." See, e.g., Tenneco Resins, Inc. v Reeves Brothers, Inc.,752 F.2d 630, 633 (Fed. Cir. 1985). However, there is a conflict regarding the standard of review of discretionary rulings where mandamus is involved.

The Court of Appeals for the Fourth Circuit has found that, under its mandamus authority, a different standard applies to review a district court's discretionary ruling. In re: Ralston Purina Co., 726 F.2d 1002 (4th Cir. 1984), involved a petition seeking a writ of mandamus to direct the District Court to vacate its order which declined to transfer venue. The District Court's decision was discretionary. The Court of Appeals for the Fourth Circuit found mandamus was inappropriate under these circumstances, stating that "[a]buse of discretion . . . is not the standard to be employed in deciding whether or not to issue a writ of mandamus." Id. at 1004 (Footnote omitted). Furthermore, that Court stated:

> The applicable standard in this circuit for issuing a writ of mandamus for the claimed denial of a transfer of venue was merely an abuse of discretion ... But we think it plain that Allied Chemical[6] with its reliance on Roche [v. Evaporated Milk Association][7] and Will [v.

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[6] Allied Chem. Corp. v. Daiflon, Inc., 449 U.S. 33, 101 S. Ct. 188, 66 L.Ed.2d. 193 (1980).

[7] 319 U.S. 21, 63 S.Ct. 938, 87 L.Ed 1185 (1943).

> Calvert Fire Insurance Co.][8] ... has made it clear that the writ should not issue unless the right of the party seeking mandamus is clear and indisputable, and that clear and indisputable requires considerably more strained circumstances than does an abuse of discretion.
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> * * *

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[8] 437 U.S. 655, 98 S.Ct. 2552, 57 L.Ed.2d 504 (1978). In Will, this Court found that the Court of Appeals improperly issued a writ of mandamus where the District Court deferred federal proceedings pending resolution of related state claims in state court, a decision which was in the discretion of the District Court. In so doing, this Court stated:

> Although the District Court's exercise of its discretion may be subject to review and modification in a proper interlocutory appeal ... we are convinced that it ought not to be overridden by a writ of mandamus. Where a matter is committed to the discretion of a district court, it cannot be said that a litigant's right to a particular result is "clear and indisputable."

98 S.Ct. at 2558-2559 (emphasis added)(citation and footnote omitted).

This Court also emphasized the following:

> Although in at least one instance we approved the issuance of the writ upon a mere showing of abuse of discretion, ... we warned soon thereafter against the dangers of such a practice. "Courts faced with petitions for the peremptory writs must be careful lest they suffer themselves to be misled by labels such as 'abuse of discretion' and 'want of power' into interlocutory review of nonappealable orders on the mere ground that they may be erroneous."

Id. at 2559, n. 7 (citation omitted).

> Since Allied Chemical leaves room for issuing the writ in "exceptional circumstances," ... we think that before the writ should issue in a case in which the matter at hand is entrusted to the discretion of the district court, the district court's abuse of discretion must amount to a "judicial usurpation of power." ... Thus, it is in cases of abuse of judicial power, not merely abuse of discretion, that mandamus lies. Merely an abuse of discretion may be corrected on appeal.

In re Ralston Purina Co., 726 F.2d at 1005 (citations omitted) (emphasis added).

Clearly, there is a conflict between the decisions of the Court of Appeals for the Federal Circuit and the Court of Appeals for the Fourth Circuit regarding the applicable standard for review of a lower court's discretionary rulings pursuant to an appellate court's mandamus authority. Likewise, there is an obvious conflict in the circuit courts concerning an appellate court's mandamus authority over jurisdictional rulings of the district court. It is essential that this Court entertain this petition to clarify these issues. Otherwise, confusion amongst circuit courts shall continue, leading to additional inconsistent and irreconcilable results.

Another consideration in favor of this Court granting certiorari is that the Court of Appeals for the Federal Circuit has, by its ruling, effectively adopted the standard of review reserved for appeal after final judgment as its standard for mandamus review. This is in clear conflict with other circuit court rulings as well as firmly established rulings of this Court. Further, in adopting the appellate standard of review as the standard for evaluating petitions for writ of mandamus, the Court of Appeals "has so far departed from the accepted and usual course of judicial

proceedings . . . as to call for an exercise of this Court's power of supervision." Supreme Court Rule 10.1(a).

Jurisprudence clearly states that the remedy of mandamus is a drastic one, to be invoked only in "extraordinary situations." Allied Chem. Corp. v. Daiflon, Inc., 449 U.S. at 34, 101 S.Ct. at 190; Nat'l Right to Work Legal Defense & Richey, 510 F.2d at 1242. It does not serve as a substitute for an appeal even though the delay may result in inconvenience and added expense. Shlagenhauf v. Holder, 397 U.S. 104, 85 S.Ct. 234, 13 L.Ed.2d 152 (1964). A writ of mandamus is reserved for extraordinary situations because of the interest in discouraging piecemeal appeals, which is in line with congressional judgment that, as a general rule, appellate review should await the entry of final judgment by the trial court. Accordingly, this Court has distinctly noted that on direct appeal from a final decision, a court of appeals has broad authority to "modify, vacate, set aside or reverse" an order of a district court, and it may direct such further action on remand "as may be just under the circumstances." 28 U.S.C. § 2106. By contrast, under the All Writs Act, 28 U.S.C. § 1651(a), courts of appeals may issue a writ of mandamus only where "necessary or appropriate in aid of their respective jurisdictions." Whereas a simple showing of error may suffice to obtain a reversal on direct appeal, issuance of a writ of mandamus under such circumstances "would undermine the settled limitation upon the power of an appellate court to review interlocutory orders." Allied Chem. Corp. v. Daiflon, Inc., 449 U.S. at 34, 101 S.Ct at 190, 66 L.Ed.2d 193; Will v. Calvert Fire Ins. Co., 437 U.S. at 660, 98 S.Ct. at 2556, 57 L.Ed.2d 504; Will v. United States, 389 U.S. 90, 98 n.6 , 88 S.Ct. 269, 275, 19 L.Ed.2d 304 (1967).

With respect to its dismissal of Skrmetta's declaratory judgment counterclaims for lack of justiciable controversy,

examination of the language employed, and therefore the standard used, reveals that the Court of Appeals decided this mandamus issue based on the same standard it has used for appellate review of declaratory judgment actions. (Appendix A). Indeed, BP Chemicals, Ltd. v. Union Carbide Corp., 4 F.3d 975 (Fed. Cir. 1993), relied upon by the Court of Appeals, arose in the context of a final appeal following the district court's dismissal of a patent declaratory judgment action for lack of a justiciable controversy. There, the Court of Appeals for the Federal Circuit noted that the question of whether an actual controversy exists upon particular facts is subject to plenary appellate review and that the district court's factual findings pertinent thereto are reviewed for clear error in accordance with Federal Rule of Civil Procedure 52(a).

However, the distinction between BP Chemicals and the present case is glaring. BP Chemicals involved a final appeal; therefore the court relied upon the standard for appellate review of fact findings. Fed. R. Civ. P. 52(a). Despite the fact that the case at hand arose in the context of a writ of mandamus, there is no discernable difference between the standard used by the Court of Appeals for evaluating this question and that used on appeal in BP Chemicals.

Likewise, the Court of Appeals' review of the ruling on Laitram's motion for leave to amend its complaint is based on the same standard of review used by that Court for appellate review of such decisions, i.e., "abuse of discretion." In fact, in its ruling, the Court of Appeals specifically refers to its prior decision in Tenneco Resins v Reeves Bros., Inc., 752 F.2d 630 (Fed. Cir. 1985), in finding that the District Court abused its discretion in refusing to allow the amendment. (Appendix A). However, Tenneco Resins arose in the context of an appeal where the standard of review is clearly "abuse of discretion". Again, rather than following the more restrictive standard of review applicable

to a mandamus action as designated by this Court and other circuit courts, the Court of Appeals has employed the standard which has been reserved for appellate review of final judgments. Clearly, the Court of Appeals for the Federal Circuit is using its mandamus powers to review nonappealable interlocutory orders, thereby encouraging piecemeal appeals in circumvention of the final judgment rule. Accordingly, this Court should correct that error by entertaining this petition.

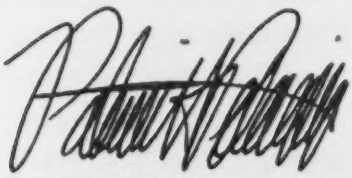
## CONCLUSION

A simple comparison of the decision by the Court of Appeals for the Federal Circuit with decisions of other circuits demonstrates that the Court of Appeals for the Federal Circuit has adopted a position contrary to other circuit courts on the issue of the scope of its mandamus authority where jurisdictional error and discretionary rulings of lower courts are at issue. Further, examination of the standards used by the Court of Appeals for the Federal Circuit to invoke its mandamus authority reveals that the Court of Appeals is using its mandamus authority to erode the settled limitation upon its power to review interlocutory orders.

Skrmetta respectfully submits that the Court of Appeals for the Federal Circuit has erred and that its decision must be reversed. Such conflicts should not be allowed to exist since confusion amongst circuit courts would continue, leading to inconsistent results and further erosion of the standards reserved

exclusively for appellate review after final judgment. It is imperative that this Court grant certiorari and clarify the scope of mandamus authority in these situations.

Respectfully submitted,



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Counsel for Petitioner,
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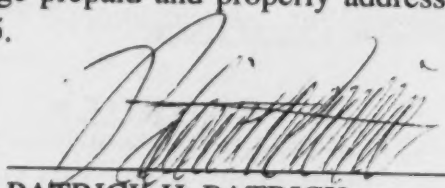
## CERTIFICATE OF SERVICE

I hereby certify that three copies of the above and foregoing document have been served upon:

Gregory J. Vogler, Esq.
McAndrews, Held & Malloy, Ltd.
500 West Madison Street
Chicago, Illinois 60661

by hand delivery and/or by depositing same in the United Sates Mail, first class postage prepaid and properly addressed, this 19th day of June, 1995.



PATRICK H. PATRICK

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MISCELLANEOUS NO. 421

IN RE LAITRAM MACHINERY, INC.,
Petitioner.

ON PETITION FOR WRIT OF MANDAMUS

Before RICH, Circuit Judge, COWEN, Senior Circuit Judge, and CLEVENGER, Circuit Judge.

CLEVENGER, Circuit Judge.

ORDER

Laitram Machinery, Inc. petitions for a writ of mandamus to direct the United States District Court for the Eastern District of Louisiana to (1) dismiss Skrmetta Machinery Corporation's declaratory judgment counterclaims concerning two patents and (2) grant Laitram leave to file a counterclaim for infringement of a third patent. Laitram also requests an award of attorney fees and expenses against Skrmetta "for filing, pressing forward with, and misleading the district court on declaratory judgment claims." Skrmetta (1) opposes the petition and the request for fees and expenses and (2) requests an award of fees and expenses against Laitram. Laitram moves for leave to file a reply, with reply attached. Laitram moves for leave to file a response to Skrmetta's letter to the Clerk, with response attached. Skrmetta opposes both motions for leave. Laitram moves to strike Skrmetta's opposition.

## BACKGROUND

Laitram sued Skrmetta and two other defendants in the district court for antitrust violations. Laitram settled with the defendants other than Skrmetta. Skrmetta counterclaimed against Laitram for antitrust and unfair competition and also sought declaratory judgments of invalidity, unenforceability and noninfringement of three of Laitram's patents. The patents are: (1) U.S. Patent 5,862,794 ('794 patent) relating to an "Apparatus for Controlling Precooking and Machine Peeling Shrimp";[1] (2) U.S. Patent 5,120,265 ('265 patent) relating to an "Apparatus for and Methods for Improving the Yield of Peeled Shrimp Meat Obtained with Roller Type Shrimp Peeling Machinery"; and (3) U.S. Patent 5,184,538 ('538 patent) relating to a "High Efficiency Steam Cooker."

Laitram moved to dismiss Skrmetta's patent declaratory judgment counterclaims with respect to all of the patents for failure to state a claim and for lack of subject matter jurisdiction. On April 28, 1994, the district court treated the motion as a motion for summary judgment and denied the motion without prejudice, noting that the counterclaims were recently filed and that sufficient discovery had not occurred. In a preliminary conference on September 22, 1994, the district court ordered that amendments to pleadings should be filed no later than October 22, 1994. On October 18, 1994, Laitram moved for summary judgment and sought dismissal of the patent declaratory judgment counterclaims or, in the alternative, sought leave to inspect Skrmetta's equipment to determine if there was any possible infringement and a fifteen-day extension of time to amend its pleadings to include patent infringement, if necessary.

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[1] The patent was reissued as Re. 34,646 on June 28, 1994. We refer to the patent as the '794 patent.

The district court denied Laitram's motion for summary judgment and dismissal. The district court found that three letters sent to Skrmetta and a history of other litigation between the parties created a reasonable apprehension of litigation and that Laitram was aware of a particular product that might infringe the '794 patent. However, the letters referenced only the '794 patent. Concerning the other two patents, the district court stated:

> the Court feels that they are so intertwined and related that it certainly would not indicate that they should not be involved here and they all stem from 794. I think that section 252 of Title 35 would indicate that this would probably be part of that continuation or the reissuance that would be involved with respect to a regional patent and so for those reasons the Court will deny that motion.

The district court did not identify any product of Skrmetta's that might infringe the '265 and '538 patents. The district court did not specifically determine that Skrmetta had a reasonable apprehension of suit stemming from the other two patents.

Additionally, the district court denied Laitram's alternative motion for leave to amend its complaint to include a claim for infringement of the '794 patent. The district court based its decision on the undue delay that an extension of time might cause. The district court denied Laitram's requests to stay discovery and to certify the denial of dismissal for immediate appeal. On December 22, 1994, the district court denied, without explanation, Laitram's motion for reconsideration and Laitram's motion for leave to file a counterclaim for patent infringement. Laitram filed this petition for a writ of mandamus to direct the district court to dismiss the declaratory judgment counterclaims concerning the '265 and '538 patents and to grant Laitram leave to file a counterclaim for infringement of the '794 patent.

## DISCUSSION

The remedy of mandamus is available only in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power. In re Calmar, Inc., 854 F.2d 461, 464 (Fed. Cir. 1988). A party seeking a writ bears the burden of proving that it has no other means of attaining the relief desired and that the right to issuance of the writ is "clear and indisputable." Allied Chemical Corp. v. Daiflon, Inc., 449 U.S. 33, 35 (1980).

Laitram argues that mandamus is appropriate in this case to confine the district court to a lawful exercise of its prescribed jurisdiction. See In re Innotron Diagnostics, 800 F.2d 1077, 1081 (Fed. Cir. 1986). Laitram argues that the district court does not have jurisdiction over the declaratory judgment counterclaims concerning the '265 and '538 patents because there is no case of actual controversy concerning infringement of those patents. See 28 U.S.C. § 2201 (a court may declare the rights and other legal relations of any party seeking such a declaration "[i]n a case of actual controversy"); BP Chemicals Ltd. v. Union Carbide Corp., 4 F.3d 975, 977 (Fed. Cir. 1993) ("[t]he requirement of actual controversy encompasses concepts such as ripeness, standing, and the prohibition against advisory judicial rulings"); Grain Processing Corp. v. American Maize-Products Co., 840 F.2d 902, 905 (Fed. Cir. 1988) ("a case or controversy is a jurisdictional predicate for declaratory judgment under 28 U.S.C. § 2201"). In response, Skrmetta argues that mandamus is not appropriate because Laitram can seek review of the "case of actual controversy" issue in an appeal after final judgment. However, it is clear that the district court incorrectly found a case of actual controversy concerning the '265 and '538 patents and

thus is exceeding its jurisdiction by entertaining those counterclaims.[2]

The district court stated that the counterclaims relating to the '265 and '538 patents should not be dismissed because they are "so intertwined and related . . . and they all stem from 794" and because of the history of litigation between the parties. We agree with Laitram that the district court erred in this analysis. As we stated in BP Chemicals, there are two prongs for determining "declaratory justiciability":

> for an actual controversy more is required than the existence of an adversely held patent. . . . There must be both (1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.

BP Chemicals, 4 F.3d at 978. In this case, the second requirement clearly was not met. The district court made no finding that Skrmetta produces or has taken concrete steps toward producing any item that might constitute infringement of the '265 and '538 patents. Laitram states that it is unaware of any Skrmetta products that might infringe its patents. Notably, in its response,

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[2] As noted earlier, the district court concluded that Skrmetta had a reasonable apprehension that it would face a patent infringement suit on the '794 patent and that Laitram was aware of a product that might infringe that patent. Laitram does not seek the remedy of mandamus to direct the dismissal of that declaratory judgment counterclaim.

Skrmetta does not identify any products or any concrete steps taken with the intent to produce an item that might constitute infringement of those patents. The district court clearly erred by finding a case of actual controversy in the absence of potential infringing activity. Furthermore, the existence of potential infringing activity concerning the '794 patent does not create a case of actual controversy for the other two patents. We agree with Laitram that the district court must determine whether there is a case of actual controversy separately for each patent identified in a declaratory judgment counterclaim. Cf. Grain Processing, 840 F.3d at 906 (district court properly refused to entertain declaratory judgment action for certain claims of a patent while permitting a declaratory judgment action for other claims).

Nor has Skrmetta persuaded us that the district court correctly decided that the first requirement was met, i.e., that an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, exists. BP Chemicals, 4 F.3d at 978. As we noted earlier, the three letters that formed the basis of the "reasonable apprehension" finding for the '794 patent mentioned only the '794 patent. The district court did not discuss how the history of litigation between the parties might have created, for Skrmetta, a reasonable apprehension of facing an infringement suit based on the '265 and '538 patents. While "[t]here is not always an easy demarcation between a reasonable apprehension on the part of a would-be infringer, and the situation whereby a patent, by its existence, inhibits unauthorized practice of its subject matter," BP Chemicals, 4 F.2d at 980, there must be more "than the existence of an adversely held patent." Id. at 978.

Laitram also requests that this court direct the district court to permit Laitram to amend its complaint or to file a counterclaim for infringement of the '794 patent. We conclude

that the requested relief should be granted. We note at the outset that Skrmetta's counterclaims for declaratory judgments of noninfringement, invalidity and unenforceability have already placed the infringement issue before the court. With or without allowing Laitram to amend its complaint, the suit will go forward. Thus, the district court's "undue delay" ruling does not appear to be relevant. Further, Laitram may be prejudiced if it is not allowed to seek damages for possible infringement in this case, if infringement is found.

Fed. R. Civ. P. 15(a) provides, in pertinent part, that "a party may amend the party's pleadings only by leave of court or by written consent of the adverse party; and leave shall be freely given when justice so requires." In Foman v. Davis, 371 U.S. 178 (1962), the Supreme Court stated:

> If the underlying facts or circumstances, relied upon by plaintiff may be a proper subject of relief, he ought to be afforded an opportunity to test his claim on the merits. In the absence of any apparent or declared reason—such as undue delay, bad faith, or dilatory motive on the part of movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of the allowance of the amendment, futility of amendment, etc.—the leave sought should, as the rules require, be "freely given."

Foman, 371 U.S. at 182. The district court clearly abused its discretion by refusing to permit Laitram to amend its complaint and clearly erred when it decided that it would be "indicative of undue delay" to grant Laitram an extension to amend its complaint and offered no explanation in denying reconsideration. Mere

delay is not a reason for denying leave; the delay must be "undue." In Tenneco Resins, Inc. v. Reeves Bros., Inc., 752 F.2d 630, 634-35 (Fed. Cir. 1985), we held that in determining whether to grant leave to amend, a trial court should take into account the possibility of prejudice to the adverse party if leave were granted. If a ground for rejecting the amendment is delay, the delay must be "undue." In Tenneco Resins, we held that the district court acted within its discretion in denying a party leave to assert patent invalidity after a lengthy delay including repeated failures for more than five years to raise the issue because the new issue might involve additional discovery and some witnesses might be unavailable. As stated before, permitting an amendment or the filing of a counterclaim in this case will not add any issues at trial, except the possibility of damages, because the court will in any event be trying infringement, invalidity, and unenforceability of the '794 patent in Skrmetta's counterclaim for a declaratory judgment. We note that Skrmetta's counterclaim for a declaratory judgment relating to the '794 patent was not filed until February of 1994 and that Skrmetta sought an extension and leave to amend approximately eight months later. Skrmetta does not allege any prejudice or explain how the delay was "undue." Skrmetta argued at the district court that Laitram could file a separate action for infringement of the '794 patent. Assuming arguendo that that is the case, we agree with Laitram that a separate action would, in the least, complicate adjudication of the issues because the district court in this case will be considering the issues of noninfringement, invalidity, and unenforceability of the '794 patent.

Finally, we decline to grant either of the two requests for attorney fees and expenses.

Accordingly,

IT IS ORDERED THAT:

(1) Laitram's petition for a writ of mandamus is granted. The district court is directed to dismiss the declaratory judgment counterclaims concerning the '265 and '538 patents and to grant Laitram leave to file a counterclaim for infringement of the '794 patent.

(2) Laitram's request for attorney fees and expenses is denied.

(3) Skrmetta's request for attorney fees and expenses is denied.

(4) Laitram's motions for leave to file replies are granted.

(5) Laitram's motion to strike Skrmetta's opposition is denied.

FOR THE COURT

Date

Raymond C. Clevenger, III
Circuit Judge

cc: Timothy J. Malloy, Esq.
Rickey R. Hudson, Esq.
District Court, Eastern District of Louisiana, Judge
District Court, Eastern District of Louisiana, Clerk

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

| | | |
|---|---|---|
| LAITRAM MACHINERY, INC. | * | CIVIL ACTION |
| VERSUS | * | NO. 92-3841 |
| CARNITECH A/S, a Danish corporation, SEAFOOD EQUIPMENT DEVELOPMENT CORP., and SKRMETTA MACHINERY CORP. | * | SECTION "C"(1) |

ORDER AND REASONS

The court has decided on the memoranda Laitram Machinery Inc.'s (LMI) Motion to Dismiss Counterclaims of Skrmetta and Related Parties. For the reasons set forth below, the motion is DENIED.

## BACKGROUND

In November 1992, LMI filed a complaint alleging that the defendants have conspired to injure LMI's business in violation of antitrust laws, the Lanham Act, and various state statutes. On February 18, 1994, defendant Skrmetta Machinery Corp. (Skrmetta) and related parties filed counterclaims against LMI and other parties. In its present motion, LMI moves to dismiss these counterclaims pursuant to FRCP 12(b)(6) for failure to state a claim and FRCP 12(b)(1) for lack of subject matter jurisdiction.

## ANALYSIS

In support of its motion, LMI has presented matters which are outside the pleadings. In response Skrmetta has

pointed to numerous material facts that are at issue. Accordingly, the court will follow the dictates of FRCP Rule 12(b) and view LMI's submission as a motion for summary judgment.

Skrmetta's counterclaims were filed only recently and discovery has not occurred on the issues. Given the lack of discovery and Skrmetta's plausible allegations of the existence of material facts, the court will deny LMI's motion.

Accordingly,

**IT IS ORDERED** that Laitram Machinery Inc.'s Motion to Dismiss Counterclaims of Skrmetta and Related Parties is **DENIED WITHOUT PREJUDICE.**

New Orleans, Louisiana, this ____ day of April, 1994.

_____

Ginger Berrigan
United States District Judge

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

NEW ORLEANS

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| LAITRAM MACHINERY, INC. | DOCKET NO: 92-3841<br>NEW ORLEANS, LOUISIANA<br>SECTION: "S" |
| VERSUS | NOVEMBER 16, 1994 |
| CARNITECH A/S, ET AL | MOTION TO DISMISS |

**********

TRANSCRIPT OF HEARING
BEFORE THE HONORABLE OKLA JONES
U. S. DISTRICT COURT JUDGE

**********

APPEARANCES:

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NEW ORLEANS, LA 70130
(504) 589-2913

THE CLERK: 92-3841, Laitram Machinery versus Carnitech, et al.

MR. VOGLER: Greg Vogler for Laitram Machinery, Inc. and I also represent Asgeir Bjarnasson who is a third party defendant, has the second motion to dismiss for lack of jurisdiction. And counsel for defendant has shown up.

I will address the first motion. This case was filed back in December of '92 and there has been an extensive procedural history. The counter claims were filed in February of this year. Laitram Machinery immediately moved to dismiss the counter claims count 3 for lack of subject matter jurisdiction. Judge Berrigan denied that motion without prejudice and without

addressing the merits and stating that apparently some discovery needs to be taken.

We have re-filed the motion for summary judgment and in that counterclaim, count 3, Skrmetta is seeking to validate and find unenforceable and get a holding of non-infringement on three of Laitram's patents.

And you need to know there is no duty on any patent holder to enforce or assert his patent rights. And a patent holder can't be dragged into court except under certain circumstances, because it's costly, expensive and if there's no belief that they may even assert it at another time.

But on the other hand, we agree that you can't hold a patent over the head of someone and threaten them with patent infringement and make it difficult for them to deal with their transactions.

So there's a balancing of the rights. And the Federal Circuit Court of Appeals for the Fifth Circuit came up with a test to balance those rights. It's a two prong test. It says, first, there has to be a product that could be charged with infringement. And second of all, they say, there must be an objective reasonable apprehension that if you made a product or continue to make the product, you will be subject to an infringement lawsuit. It is not a complicated test, maybe the application may be but its not a complicated test. And it's not subjective. What the accused infringer or the person who brings it may believe doesn't count. It's subjective, and you go the circumstances to try and decide what this is.

Here we have three patents and the burden is on Skrmetta and that test, again, is determined when there's a case of

controversy. As we all know, that requirement is in the U. S. Constitution. Let me take the two patents where it's absolutely clear there is no case of controversy. The 265 patent and the 538 patent. Why there is no case of controversy, they were issued in 1992 and 1993, June and February, they didn't come in existence until then. All of the circumstances, the communications, the letter, and other allegations that Skrmetta raises, all occurred in 1990 and 1991, two years before these patents even issued. And there is no other evidence, no other communications — there's no communication directly relating to those two patents as to whether Laitram was going to enforce them or they were going to charge them with infringement, they never discussed. The only thing that was ever done was a copy of one of them was sent to Skrmetta. And clearly that doesn't raise a case of controversy, because there's no other charges.

THE COURT: What did those two relate to?

MR. VOGLER: One of them relates to an improved steam shrimp cooker and the second one relates to reduce size rollers on shrimp peelers.

THE COURT: How is that different from the 794?

MR. VOGLER: Oh, its quite different, the 794 is a steam cooker patent and the next one is an improvement on that patent. They are not related and they are not an extension of one another, they are separate patents, separate inventions, but, yes, on the same type of technology. And that's done all the time, improvement on patents.

But the test is has there been any thing that would give apprehension of being sued on those patents. And you must direct those patents specifically, you can't say, you know, a

threat, you know, that there's patents out there and I may enforce my patents.

And the second thing Skrmetta has not identified a single product which might be accused of infringement. And quite frankly, Laitram does wonder what products they are talking about. And so they don't even meet the first burden on that one. There is no identifiable product which may be accused of infringement and there's no communication — nothing that they could give an objective, reasonable belief that they could be sued for patent.

So on that one, with all due respect, I do believe their allegations are frivolous and we weren't that strong in the brief because we are seeking dismissal. The 794 patent is a close case, it is not a frivolous action they brought here. As you know in 1990, '91 there was an exchange of letters, yes, we exchanged letters and they allege some comments by Asgeir Bjarnasson in Ireland, they don't say who the comments were made to, what was said, and what was involved there, but those are the only allegations that are a part of this case that could give a reasonable apprehension. Again, those occurred in 1990 and '91. When did they file, 1994, three or four years later. You wonder where was the reasonable apprehension that they were going to be sued and what was their concern to wait that long? And I suspect there wasn't a reasonable apprehension because if you look at this closely, here's what they say, we have this patent, please don't infringe, we have enforced our patent rights in the past. And at the very end of each of those letters, something of this substance, "we hope to avoid patent litigation." And those three letters are attached as exhibit B to the main brief. Its clear Laitram didn't even know what their shrimp cooker looked like at that time, so how could they make a charge of patent infringement.

The last letter ask for additional information, again closes, "we hope to avoid litigation."

THE COURT: Aren't you downplaying the letters? You talked about, you have a history of aggressively protecting your patents and you use some other language, I think those letters were a little stronger than you are indicating to me.

MR. VOGLER: Laitram does enforce their patent rights, I think any executive in the county would make those comments. I think they would be doing their shareholders a disservice if they didn't enforce their patent rights. And if you don't say that, you will give them what they are going to argue is an implied license that you said that you weren't going to enforce your rights and the next thing we are in Court saying you have an implied license that you are not going to move forward. I don't think there's anything wrong with that. I think it is legitimate business practice and I think its expected of executives to say that they are going to enforce patent rights. Remember the last lawsuit before this one was filed in the '60's, somewhere along the line someone has to say what is done is done and not drag it up again. And that's the concern about the long history of litigation; twenty-five years of time passing is a long time. How far can you go back to think that that's going to be part of the apprehension? If they thought it was part of the apprehension, if they wanted to clear it, why did they wait so long. And let me read one last thing on that.

They are seeking to amend their counterclaim on this point. This is before Magistrate Judge Lemelle. Quote from their language. "Laitram is further barred from seeking enforcement of the aforesaid patent and any other patent rights it has in its commercial shrimp products in the industry under both the equitable doctrine of Laches since at least 1990 and estoppel

where Skrmetta was led by Laitram to believe that although there had been threats of litigation, Laitram knew and led Skrmetta to believe that there was no substance to the threats. And in the last — Skrmetta expended its commercial activities to its potential detriment." They said there was no substance to the threats, Skrmetta says that. So even though those letters may have sounded tough in '90, '91, it's clear there was no follow-up and it was clear under all the circumstances over a period of time there was no reasonable objective apprehension of being sued.

And for that reason, I believe 794 should also be dismissed because of the expense, complexity, and we all know what that allegation is all about.

In the alternative, which I hope we don't get to, and we have a duty and obligation as patent attorneys, if their motion is denied, we request an order under the Federal Rules of Procedure 34, to inspect the machines and take a look at them and let Skrmetta identify which machines they are, that they believe falls within these counts so we can look at the operation.

THE COURT: Aren't you familiar with the machines?

MR. VOGLER: Some of the technical people are, and the only one they are familiar with as I know is the steam cooker they are familiar in that sense. But that doesn't carry the day, because you have to analyze under Federal Circuit rule for patent infringement the product and compare them to the patent claims.

THE COURT: You deny that you all have not serviced the machine before:

MR. VOGLER: I do not deny that but the point I am trying to make is, there's been no analysis of patent infringement by comparing the machines to the claims. Have we seen the

machines, yes, but that's an important distinction because you just can't run into court based on whether a technical person understands the machines without doing the patent analysis, and that hasn't been done.

THE COURT: Okay.

MR. VOGLER: What I will do after argument is move to the next motion.

THE COURT: All right.

MR. PUGH: Your Honor, my name is Emmett Pugh, I represent Skrmetta Machinery Corporation. If I may explain one little thing to the Court. I have been fighting the flu bug for a couple of days, and I notice some of my brain cells have shut down, if I make a mistake I would apologize.

I would like to go directly to the point that I find absolutely incredible that counsel just made. You have to understand Laitram Corporation is a relatively large corporation, it has its own in-house patent attorneys here in New Orleans, it has had patent attorneys in a firm in Chicago, it has the largest law firm New Orleans, they have had patent law firms in Boston, they have had patent law firms in Birmingham, Alabama, they are involved in continuous patent litigation for the last thirty or forty years running in and out of — allegations, fighting FTC proceedings. As he has acknowledged, they know exactly what's in these machines, they have known it for years and yet they give these same sort of apprehensive letters. And one other thing I think should be addressed by this counsel here. I find it incredible that with all the patent attorneys available, they have never looked to see whether Skrmetta Machinery Corporation machines have ever infringed their patents. They are an extremely patent litigious company. They are ninety percent monopoly and

to say that they have not looked at their only competitor's machines to see if they infringe their patent, that's —

THE COURT: Direct it to me not to him.

MR. PUGH: The Court needs to understand what kind of company they are dealing with here. They quote the statement that there's no substance here, we don't believe that there has been any infringement, so there is no substance or merits to their allegations, but that has never stopped them from bringing a lawsuit before when it met their convenience, when they can take a lawsuit and hammer upon their one weak competitor. They settle one lawsuit and say that's the end of the problem, they file another lawsuit, they kept the threat of litigation as an anti-competitive weapon and that's what this lawsuit is all about.

They first filed a motion to dismiss and Judge Berrigan denied it, saying it appeared that discovery was necessary. We have been fighting procedure battles, including even today, trying to get Mr. Bjarnasson into this case. We are just now waiting for their belated and delayed, late discovery in response to our request for production documents, we have yet to get the first document from them in this case.

THE COURT: Answer something for me. How were the other two patents involved here? I understand the arguments made by this 794 patent, what about the other two that those letters seemed to be directed primary to, 794?

MR. PUGH: The letters couldn't have been directed to the others because they hadn't issued yet. But as he well said, in one statement he said they are not related, one is an improvement of the other. Obviously, they are related, they are directed to the same dated piece of machinery just different variations. And if there were to be a charge of infringement on one, that we believe

there would be a charge of infringement on the other. They all come from the same indenture block. Mr. Pare and Mr. Ledet are the inventors either one or in combination of all three of those patents. What my client wants to do is bring an end to all the litigation so they can not possibly hit him again in the future with another piece of species litigation. They have the apprehension that when its convenient for Laitram and most devastating for Skrmetta Machinery Corporation, they will bring a suit on the other patents, lack of substance or not.

This is a motion for summary judgment, we haven't had the opportunity of taking discovery, we have discussed with the other side taking the first two weeks of December of them taking five and our taking four depositions, we are trying to get into the discovery merits of the case.

THE COURT: What is the product that we are taking about now?

MR. PUGH: I'm sorry, this is a situation where you have a manufacturer who sells an automobile and a tricycle and the patent is on the automobile, you don't have to say what it is that they are asserting infringement on, but in this case its the — the peeling machine involved is FKPD. There has only been in the whole history of Skrmetta Machinery two peeling machines that have ever been manufactured by them. They knew this and they didn't need any clarification. It relates to the multi-zone cooker.

THE COURT: It relates to the peeling machines and not to the shrimp cooker?

MR. PUGH: No, the cooker is put specifically right adjacent to and part of the peeling machine.

THE COURT: Are they referred to as the shrimp cooking and peeling machine or —

MR. PUGH: Well, each piece serves a function, one cooking and one peeling, they can be audited as a combined system or separately.

THE COURT: Do you need one to have the other to function or can you just get one and carry out whatever duties you need there?

MR. PUGH: Well, its my understanding in the market place, you only peel cooked shrimp and that's done right adjacent to the peeling, so immediately after cooking they are peeled.

One other thing I think the Court ought to direct its attention to in respect to the reliance they can place on Laitram's representation is that there are two motions before the Court this morning, one involving directly Mr. Bjarnasson and this one involving indirectly Mr. Bjarnasson. Mr. Bjarnasson is the one who has stated to one of Laitram Machinery's customers that Laitram was going to bring suit on them. And yet, they bring an affidavit in the other motion by Mr. Bjarnasson supposedly stating that there is no jurisdiction but they don't bring one Mr. Bjarnasson denying that he did say exactly what we said he said. And the Court can draw a reasonable inference that in fact Mr. Bjarnasson did, on behalf of Laitram make those charges of infringement and the threat of lawsuit.

THE COURT: Okay.

MR. VOGLER: He raised discovery, our responses are due this Monday, so to say that we have been delaying discovery I think is inappropriate.

THE COURT: That's not before me.

MR. VOGLER: I understand but another thing that goes more to substance is that, and its sort of a personal attack of not reviewing for patent analysis, that's totally irrelevant, that's not part of the test and it only goes to the second alternative motion, an opportunity to review the products. And I am still not sure what the products are. And you can't have improvements on patents, even if they make an improvement on their own machine they can infringe them. And quite frankly, I am not aware of them having any of the reduced rollers relating to the shrimp peeling patent as a part of this. So I don't think there is a product out there that they have that can be accused of infringement. We are not aware of anything and certainly none has been identified.

As far as Mr. Bjarnasson, he is an independent sales rep, can he speak on behalf of the corporation in Iceland activities relative to a U.S. lawsuit, I don't think so, because Laitram never adopted his comments. The last letter that was sent addressed to Bjarnasson said we don't know what he said and we don't know who he said it to and we don't know what context it was stated. So I think clearly there is no question that it was not adopted and it would not be appropriate to say that statement would be part of Laitram's position.

THE COURT: Okay.

MR. PUGH: Your Honor, may I make one last comment?

THE COURT: With respect to what?

MR. PUGH: With respect to the motion that had been argued. I think he is going to the second motion now and I want

to respond to something he said. The competitor's machine, as they well know, SKPB peeler and the multi-zone cooker.

THE COURT: I think you have already told me that.

MR. PUGH: He said that he didn't understand. The last thing Mr. Vogler brought out, they just want to honestly say that Skrmetta Machinery Corporation is not infringed, has never infringed any of those three patents and publicize that to the industry, that would take care of a lot of lawsuits that we now have pending against them.

MR. VOGLER: Moving to the second motion in the counter claims, they sued six hundred individuals although this is a business dispute with five of the employees of Laitram, one was a sales rep from Ireland and it is his motion to dismiss for lack of jurisdiction from someone who is an ex-sales rep before he went to Laitram and I suspect that's one of the reasons he might have been brought here. He is a citizen and resident of Ireland, he is a rep for Laitram but all of his activity is in Ireland. They have the burden of proving jurisdiction for grounds for this motion for lack of subject matter for claims. They allege price discrimination in Ireland, even if it's true it's not actionable under U.S. law. The Clayton Act requires that price discrimination relate to sales in the U.S., not Ireland.

THE COURT: I don't think that's contested.

MR. VOGLER: The other part is on a conspiracy claim. You can't have bathtub conspiracy, you can't have your own people conspire among themselves, under the anti-trust laws, it requires non-employees, an agent to be part of that conspiracy and they raise that in their opposition brief. There is no subject matter jurisdiction there.

As far as the personal jurisdiction their brief at page 3 alleges it falls under either of two acts, one act is to cause action arising out of transacting any business in this state. Now that was an action arising out of transaction in this state. Now, the actions arising out of transactions occurred in Ireland and none of that occurred here in Louisiana. So, the action arising out of transaction is in Ireland. Now, he may transact something here in the United States but it's not part of the action.

The second part they said was damaged by an offense committed through an act or omission in this state. Again, wrong for the same reasons; whether he did, if he did, it occurred in Ireland not in Louisiana. He has no business in Louisiana or in the United States for Laitram, its strictly Ireland. As far as specific jurisdiction is not their jurisdiction, he is an independent sales rep, they don't have to call the home office, there's any doubt about that he has made three trips to Louisiana since '86, '87, '92, he responds by telephone once or two times a month, by mail or fax, two to three times a month. That's a function of being a sales rep. I don't think that's enough to carry — because those communications relate to his business and conduct in Ireland. I thinks its analogous to the Gamnex next case from the middle district of Louisiana that we cited. I think that's a case where Texas residents entered into an agreement with Louisiana to obtain — in Alabama, but the Court found that since the activity was directed toward a business in Alabama he did not have jurisdiction personally.

THE COURT: How do you distinguish the Bouyon versus Gillispie case on that one?

MR. VOGLER: I'm going to apologize, would you quickly refresh my recollection.

THE COURT: I am not sure the one he cited did not involve a doctor that carried on a business in one state, didn't really set foot in the other state. That the transaction occurred over a long period of time.

MR. VOGLER: If the transaction occurred in Louisiana that involves Bjarnasson, we wouldn't be contesting this. But all the transactions involving Bjarnasson which he has been charged with, occurred in Ireland and that's how its distinguished. His activities and business activities are in Ireland.

THE COURT: He doesn't deny the fact that he has visited the United States, he says on three occasions.

MR. VOGLER: Not at all and I think you have to be careful because if an independent sales rep anywhere outside the United States is going to be subject to jurisdiction because of contact with home base, I think that you're on grounds that can cause concern in the industry. I don't think it's sufficient to say that what he is doing is different in Louisiana.

THE COURT: He himself indicates that he communicates by telephone with Laitram on an average of one to two times per month and sends correspondence.

MR. VOGLER: Three to five times a month.

THE COURT: The contract, I take it, would probably be a contractual, be controlling under the Louisiana law?

MR. VOGLER: I don't know if there's a written contract, I don't have the answer to that. But in that he is not taking benefits of Louisiana. Again, I want to emphasize that he is not doing business here, he is not doing business with people here, he is

contacting directly with his home office and that's how I distinguish it from those other cases.

THE COURT: So all of these contacts with Laitram has nothing to do with business here in Louisiana?

MR. VOGLER: No, it has to do with his Ireland business.

THE COURT: Okay.

MR. HUDSON: I am here on behalf of Skrmetta Machinery Corporation. I am going to quickly address the subject matter jurisdiction issue because there was no real argument made that would deny this court the right to adjudicate this matter. At one point counsel for Laitram has alleged that Mr. Johnson is an independent contractor and on another point he can't be a co-conspirator with the person who employs him. I am not sure what his status is, but leaving the conspiracy theory aside for the moment there are other counter claims that Skrmetta alleges against Laitram that are extra territorial, that would give this court subject matter jurisdiction that Laitram does not address. There's a land claim that he made untrue remarks about the nature of patent litigation by Laitram against Skrmetta in the United States, he has also made false representations about the qualities and properties of Machinery. So I haven't heard any argument that would deny the Court at least the right to adjudicate the land mark in Louisiana according to the Louisiana unfair trade practice claim, so in that respect, I think subject matter jurisdiction is fixed.

With respect to personal jurisdiction, Counsel has come in and tried to equivocate and minimize the number of contacts that Mr. Bjarnasson has with Louisiana, and as you quite aptly point out he is constantly in contact with Louisiana and making

all kind of business deals through Louisiana. Laitram would have this court believe the argument that contact flows one way, all from Louisiana to Mr. Bjarnasson and nothing comes back. There's a trade relationship going on there and Mr. Bjarnasson has benefitted from that. He has come to Louisiana on three occasions, the last being 1991. If Mr. Bjarnasson were to be injured while in Louisiana he would sue here, if he had a problem with Laitram and their business relationship whether it be a written contract or not, presumably that would be adjudicated here as well. I don't understand how he uses the — status for this when there are a range of functions where he could probably avail himself of that.

With respect to the idea that Mr. Bjarnasson doesn't have a continuing relationship with Louisiana, the activities that he has conducted on behalf of Laitram and disparing Skrmetta products and poisoning the marketplace by statements like, "you will get in trouble dealing with them because we are suing them," that's personal jurisdiction because they are causing effect and harm in Louisiana to Skrmetta Machinery Corporation.

With respect to tenure relationship with Skrmetta and Laitram, that's a continuing relationship that they are benefiting from. He is deriving substantial agent fees of money from those relationships. He said that Mr. Bjarnasson has other business in Ireland and Laitram is not the sole income, but he didn't quantify that. And since this is a motion for dismissal, we have a right to draw the inference that he has a substantial amount of business with Laitram. The nature of the acts that he has committed, that we have alleged counter claims over should give you specific — with his person and the ongoing relationship should give you a second basis for personal jurisdiction. He has benefitted from this relationship.

MR. HUDSON: Your Honor, one brief comment.

A new issue was raised, that extra territorial statements, statements made in Ireland. I don't know that answer because its raised for the first time. I suspect it would not be the case, but I don't know that, and I think that's something that I may want to supplement for Your Honor, if you so desire, that they could have of any subject matter jurisdiction.

With respect to the idea of conspiracy and the Sherman Act claims that are being lodged against Mr. Bjarnasson this is a motion that is precipitous and premature. We haven't had an opportunity to find out what the state of Mr. Bjarnasson is, we don't know the relationship with Laitram. Its inappropriate to dismiss without giving us an opportunity to find out because it could destroy the backed up defense in that case you, could have subject matter jurisdiction under the Sherman Act against Mr. Bjarnasson. So again, I am not sure if they would allow us to conduct this discovery or not, it has not come up yet, we expect it to come up, it was only due a couple of days ago but it doesn't help us to address this matter that is before this Court today.

MR. VOGLER: Your Honor, that same argument is why Judge Berrigan denied the motion in the first place. We waited as long as we could before we refiled, for them to use that argument again is inappropriate.

THE COURT: The matter is set for trial when?

MR. VOGLER: April 3rd, Your Honor, '95.

THE COURT: I am ready to rule. We will start with the last one first. In this motion Mr. Bjarnasson contends that the Court lacks subject matter jurisdiction with respect to counts one

and two in this matter. With respect to the Robinson patent allegation, I think counsel concedes that that only relates to the United States and so therefore, the Court agrees that any allegation with respect to that particular act is in fact dismissed.

The mover also goes on to indicate that the Court also lacks subject matter jurisdiction as to personal jurisdiction over Mr. Bjarnasson of Laitram because of insufficient contact with the United States. The Court received a memo this morning and in that memo there was an indication of a specific contact with the United States that Mr. Bjarnasson indicated, aside from the three visits, that he indicates once in '86, once in '88 and once in '90, and, of course, he talks about the numerous phone calls that average two to three per month along with the various faxes and letters that are done five times per month in here.

The court is called upon primarily to make a decision as to whether or not minimum contact would in fact exist and what remaining jurisdiction would — notice of fair play, substantial justice here. And in essence, what the Court has to do is determine whether this particular non-resident defendant — may have availed himself of the benefits and protection of Louisiana and would it be fair to hail him into this jurisdiction.

With respect to that minimal contact, the Court has to decide whether or not specific personal jurisdiction would exist or whether or not general jurisdiction would exist. The Court has looked at the memorandum filed by both parties here and the Court feels that it does have personal jurisdiction over the defendant here and would deny the motion here. The Court feels that there are a number of things that would dictate this. The court feels that the various contacts involved here certainly would indicate that he has availed himself of business here in the United States. And so what I have to do is to make sure that it would not be unfair to this defendant to hale him into this

jurisdiction and the Court realizes the burden placed upon him in term of coming here, the interests of this state and the interest of the plaintiff in receiving relief here and weigh those factors.

It's clear to this Court that because of previous trips that he has made here, the fact that he has an agreement which probably would be litigated here if there was a breach of contract these burdens would certainly be outweighed by the interest of the state in ensuring that our laws are enforced and in the interest of the relief involved here.

Based upon these and other factors, the Court is going to deny that motion on the part of Mr. Bjarnasson.

With respect to the first motion involved here — and let me ask a question about the first motion with respect to the affidavit that was filed in the matter which was not signed and notarized —

MR. PUGH: It was signed yesterday.

THE COURT: Have you given it to counsel?

MR. PUGH: Yes.

THE COURT: That doesn't raise any questions?

MR. VOGLER: No, it does not.

MR. PUGH: May I submit it to the Court?

THE COURT: Sure.

With respect to the first motion in this matter, Laitram has moved for summary judgment to count three which relates to

counterclaims that have been filed by Skrmetta Machinery and the Court, having reviewed and heard argument by counsel, is going to deny that motion. The Court feels that number one, looking at the applicable case law here and I think here the Arrow cases are the controlling cases which would set out the test that the Court would be responsible for applying in a situation like this, to determine whether or not there's a case controversy involved. The Court is convinced based upon the history of the contact involvement with these two parties that number one, that Laitram is in fact aware of a particular product involved; that being the shrimp cooker and the peeling machine. And so I think with respect to the second prong of that test it's clear that they are aware of the product involved here.

With respect to the other prong which relates to whether or not there was reasonable apprehension involved, this Court feels that looking at those two cases, it's clear that the letters involved in this were letters which clearly created that apprehension on the party, Skrmetta. The Court has looked at the letters, the three letters that were talked about, June of 1990, March of '91, October of '91, and these letters clearly warn them and indeed use language which indicates to them that certainly litigation was very possible and certainly caused them to be reasonably apprehensive. The case law indicates that these letters did not have to be an expressed indication of litigation and so as long as there was innuendos involved in it or that the threats indicated some indication that there would be some litigation, certainly it would put them in that position. Plus the Court has to look at the totality of circumstances with respect to infringement. I don't think either one of the parties would disagree that there has been a history of litigation, although the litigation might have been some years ago, there has still been the animosity that has existed between these competitors involved in this matter.

Looking at that, looking at the affidavit that has been presented here, this Court is convinced that this test has been satisfied by Skrmetta, although there was some question here with respect to the other two patents, the Court feels that they are so intertwined and related that it certainly would not indicate that they should not be involved here and they all stem from 794. I think that section 252 of Title 35 would indicate that this would probably be part of that continuation or the re-issuance that would be involved with respect to a regional patent and so for those reasons the Court will deny that motion.

In the alternative, Laitram has asked that they be granted an extension of time and a right to make amendments if the Court denies their motion. While the Court is aware that amendments should be liberally given, the problem of course, is that it's still discretionary with the Court and the Court can deny them if the Court finds that such factors as undue delay, bad faith, or dilatory motives are involved. While the Court does not specifically find that there's any bad faith on the part of Laitram, the Court is aware that Judge Berrigan ordered amendments to be filed up until October 22nd of '94, this year, and that this present motion was not filed until October the 18th. Looking at that, looking at the fact that the Court, of course, feels that Laitram is aware of the product involved here, that they have dealt with the product, and some of their folks have been involved in servicing, they have been supplying parts to it, it would just indicate to the Court that this would be — to grant this extension would be indicative of undue delay. Based upon this factor, the Court is going to deny the alternative request for extension of time to amend and/or to inspect the product. Thus both motions are denied in their entirety. Anything else?

MR. VOGLER: Yes, Your Honor. You have prejudiced Laitram by denying the right to amend, it would not prejudice —

it's just a mirror image of any claim or counterclaim, and we respectfully are troubled by that. We do not know the products that they say does not infringe 265 patent because it is not an extension of the cooker patent, the 794 patent. With all due respect, I would like to request that this issue be certified for appeal and stay discovery on it to get it resolved by the Federal Circuit because I believe there is not a case of controversy.

THE COURT: Any response by opposing counsel?

MR. PUGH: Your Honor, there is no need to have it certified for appeal at this stage. These patents are involved in other lawsuits. Besides declaratory judgment action there is no prejudice, they are asking the right to seek an infringement action, they can do that any time in a separate action should they file an appeal in due course and try to litigate the matter. The Court has ruled and is on good solid grounds for its ruling and to delay this proceeding by allowing for federal appeal would be counter productive and there is no prejudice to Laitram to take its appeal in due course, should it seek to do so.

MR. VOGLER: Your Honor, one last thing. Could you please order the Skrmetta to identify and give representative samples of the machines that they believe fall within the claims or don't fall within the claims of the patents because we don't know. Laitram does not make a product that falls under the 265 patent and we don't believe that Skrmetta does. And the same thing could be said of the other patent, 538 patent, we don't believe that they make a part that could be accused. We request an order identifying that and require a representative drawing or depictions of its structure so we can proceed with the case in an expeditious fashion.

THE COURT: Has discovery been completed?

MR. VOGLER: Closes February 14.

THE COURT: You do whatever you have to do to get that information, I am denying your request. Anything else? Court stands adjourned.

MINUTE ENTRY:
JONES, J.
DECEMBER 21, 1994

LAITRAM
MACHINERY, INC. CIVIL ACTION

VERSUS NO. 92-3841

CARNITECH A/S, ET AL. SECTION "S"

MOTION OF PLAINTIFF, LAITRAM MACHINERY, INC., FOR RECONSIDERATION OF LAITRAM'S MOTION FOR SUMMARY JUDGMENT OF COUNT III OF THE COUNTERCLAIMS AND ALTERNATIVE MOTION TO EXTEND TIME TO FILE COUNTERCLAIMS OF PATENT INFRINGEMENT. (DOC. #144)

The above motion was brought on for hearing on the Court's docket this date, and the Court ruled as follows:

ORAL ARGUMENT, MOTION DENIED.

PRESENT: EMMETT PUGH, ATTY.
GREG VOGLER, ATTY.
WARREN CUNTZ, ATTY.

DAVID STECHMANN,
COURTROOM DEPUTY
ARLENE MOVAHED,
COURT REPORTER

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA
NEW ORLEANS DIVISION

LAITRAM MACHINERY, INC.,
Plaintiff,
v.
CARNITECH A/S, a Danish corporation,
SEAFOOD EQUIPMENT DEVELOPMENT CORP.,
and SKRMETTA MACHINERY CORP.,
Defendants.

Docket NO. CR 92-3841 S
New Orleans, Louisiana
December 21, 1994
8:30 A.M.

Motion of plaintiff, Laitram Machinery, Inc., for reconsideration of Laitram's motion for summary judgment of Court III of the counterclaims and alternative motion to extend time to file counterclaims of patent infringement held before The Honorable Okla Jones, presiding Judge on the 21st day of December, 1994.

APPEARANCES:

| | |
|---|---|
| For the Plaintiff, | McANDREWS, HELD & MALLOY, LTD. |
| Laitram Machinery, | (By: Gregory J. Vogler, Esq.) |
| Inc. | |
| | Northwestern Atrium Center |
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| | PHELPS DUNBAR |
| | (By: Warren A. Cuntz, Jr., Esq.) |
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| For the Defendant, | NATIONAL LAW OFFICES |
| Skrmetta Machinery, Corp. | OF PUGH & ASSOCIATES |
| | (By: C. Emmett Pugh, Esq.) |
| | 4917 St. Charles Avenue |
| | New Orleans, Louisiana 70115 |

PROCEEDING

THE CLERK: Civil Action No. 92-3841, Laitram Machinery, Inc., versus Carnitech A/S, Et Al.

MR. VOGLER: Your Honor, Greg Vogler on behalf of Laitram Machinery. With utmost respect Laitram seeks reconsideration of certain aspects of your December 16th ruling.

THE COURT: What do you have to tell me now that you didn't at that time?

MR. VOGLER: Two things, Your Honor. As far as our

motion for leave to file counterclaims that's what wasn't made clear last time is that Laitram was in a very difficult prejudicial situation where they either had to assert the defense, lack of subject matter jurisdiction, or in the alterative bring a claim of patent infringement if they thought they had one.

Had we brought a claim of patent infringement our defense would have been moot. So in this case relating to the 794 patent what we have is defendant can assert a defense to a claim but plaintiff can not even assert the claim itself.

THE COURT: As I understand it, your original motion to dismiss was denied by Judge Berrigan on April 28th of this year.

MR. VOGLER: Without prejudice, Your Honor.

THE COURT: Okay. And it was not until October the 18th —

MR. VOGLER: That we refiled the motion.

THE COURT: Yes. And, I guess, that was within a thirty day period that you had time to file a motion —

MR. VOGLER: That's right, Your Honor.

THE COURT: — to amend.

MR. VOGLER: That's right. Judge Berrigan denied the motion to permit the other side to take discovery. So we had the predicament, how long is long enough to wait when an order came out of the court on December 22nd saying that we have thirty days to file amendments to the pleadings. We acted and

filed the motion again prior to that date with a motion for leave for an extension of time to file the counterclaim. So had we filed a counterclaim prior to that date we would have had to wave our defense. And we think that would be inappropriate, Your Honor. What we have is they have defenses to our claim but we can't even assert the claim. We believe that's a —

THE COURT: That's your own choosing, right?

MR. VOGLER: We would have had to wave the — Your Honor, we would have had to have waved a defense had we asserted the claim because once we say they infringed our patents there would have been a case of controversy and then the defense would have disappeared.

THE COURT: The problem is that you have basically known this information for some time. I mean, you didn't really need discovery to try to determine whether or not you were going to file an infringement or not.

MR. VOGLER: Well, the other side — Let's make sure I understand that. Did I have to take additional discovery? No, Your Honor. I had to make do with what I had after the December 16th ruling. And I did a patent analysis after that, did a patent infringement analysis after that during the weekend and then we decided that there is an infringement. So I guess the answer to your question is I had sufficient information what was available to do that patent infringement analysis, but again had I done that prior and asserted infringement I would have lost our defense.

THE COURT: I don't understand that. I mean, April 28th until October 18th. I mean, that was a substantial period of time you had to make a decision.

MR. VOGLER: Well, the dilemma that we had is that Judge Berrigan denied the motion to give them time to take discovery. They had taken no discovery. I guess the issue revolves, when is enough time to wait. Clearly what motivated us, initiated us to take action was that that December 22nd order. Was one month long enough to wait? Two months? Three months? Four months? That is a difficult call because if we go back to the Court too soon before the other side takes discovery they're going to raise the same arguments. And I think we have acted promptly and efficiently in this law suit on this matter and the rule requires that, or justice requires that man be freely given.

Again, your ruling on December 16th which we accept as far as the 794 patent says that this court is going to hear validity enforceability and infringement of the 794 patent. Our claim for patent infringement would be the exact same issue. So there is no prejudice. The only additional features are seeking damages and injunctive relief which is now part of this law suit. And we see no prejudice as part of that. And what it is going to lead to is another law suit for patent infringement. And, again, it seems denial of due process and unfair to allow someone to have defenses to a claim and the other party can not even assert the claim.

THE COURT: Again, it boils down to how much time is enough time. I think you were in control of that. I don't think I put you in that position.

MR. VOGLER: Six months in a patent law suit to resolve is not a long time, Your Honor.

THE COURT: It would make sense if you were not familiar with the facts surrounding the so-called infringement here. I mean, you knew all that. You probably knew it before the suit was filed. So I don't see why it took all this time for you to

decide whether or not you were going to do it until the last minute or certainly after the cutoff date.

MR. VOGLER: Your Honor, we did not know it. No one has done a patent infringement analysis. And let me tell you why. They only sold ten units since forever. It would cost more to hire a patent attorney to do an analysis and even think about a law suit than even to try to assert and proceed with it. And we're only talking about ten units here. The client didn't want to do it. They didn't want to spend the money. And they were not going to do it; we did not want to do it until your December 16th ruling and no patent attorney had done it. And patent attorneys are expensive. We had hoped to avoid this dispute and we believe we acted promptly and moved to the Court very quickly to resole it. The three units that were in Iceland, the first three units that had that correspondence around 1991, those were removed almost immediately because they were junk, they were replaced with our units. So that's why there is no activity since 1991. It just doesn't make any sense to get embroiled in patent law suit with only ten units. So that's what has caused it and there is no evidence because there was no patent infringement analysis done until after your ruling. Our firm has not done one. No one has done one. So, could it have be done? Yes, Your Honor, it could have been done after spending the time and effort to do it.

Your Honor, there is a second part of the motion and that's the other two patents; 265 patent and the 538 patent.

THE COURT: We have been around that block before. I mean, is there anything new?

MR. VOGLER: There are two new things that have come in since the last argument. One is in their answer to the 265 patent, answer to the interrogatory that was served two days after

that hearing. Counsel for Skrmetta indicated that effectively there no longer is a controversy regarding that patent, because as I indicated we're not aware of any product that could possibly infringe. And based on that admission there is no longer a case of controversy because a case of controversy has to continue the entirety of the law suit. That is the Federal Circuit law.

And then the other aspect I wanted to point out too, Your Honor, and with due respect there is no law that if there is a charge of infringement for one patent that it would apply to other patents even if they're related under Federal Circuit law for a case of controversy. And we believe that is erroneous as a matter of law. The Gervis versus Webb case before the Court of Appeals for the Federal Circuit said that they couldn't even adjudicate claims in the same patent as other patents, as other claims in that same patent because there was no product that could be accused under those and there was no charge of infringement. So here we are a couple of steps removed away from that decision that said claims in the same patent couldn't be adjudicated. Here the patents are not continuations, they're not involved with the same filing date, they're different patents, different inventions. So your decision on the law as to relativeness you said that, well, I believe that you find a charge of infringement relating to 794 patent, but the other patents are related. As a matter of law that's not supportable, Your Honor. And we believe that there is no case of controversy.

Laitram was sanctioned by the Court of Appeals for the same issue. Not our firm was involved. It was prior counsel. A case went up where there was no product charged with infringement, Court of Appeals vacated it, sanctioned both sides, and we're making every effort to avoid that. And that was Laitram v. Cambridge.

MR. PUGH: Good morning, Your Honor. My name is Emmett Pugh representing Skrmetta Machinery Incorporated opposing the motion this morning.

Your Honor, exactly what counsel has acknowledged this morning is exactly what the 5th Circuit has criticized; namely, seriatim movement of one claim and if I lose that claim I am going to assert another claim, and if I lose that claim I am going to assert another claim and the 5th Circuit properly criticizing this court properly denied the motion the last time and there is nothing new presented by counsel on that point. But in my view the most serious point underlying this whole case is Laitram's consistent and constant misrepresentations to both the patent officer as part and parcel of our law suit as well as this court.

Now counsel for Laitram had previously said that they didn't know what the machine was about so how could they charge infringement. And we cite that in the transcript of the previous hearing attached as an exhibit to our opposition. In our opposition we had just gotten a copy of a letter written by a co-defendant with Laitram, Mr. Bjarnasson. The court may recall we had some discussions on before where he in May of 1991 said he was going to be taking videos and photographs of the Skrmetta machinery in Iceland. Now yesterday we acquired documents from Laitram which are a series of photographs, and if I may likewise present them to the court. We just got these yesterday afternoon from Laitram. These are a series of photographs which Laitram has marked with their "S" number. In particular S5161 through S5174. Now I have reviewed those photographs with some difficulty because although I have come to the conclusion that those are photographs taken in or around August of 1991 are photographs of two Skrmetta cook machines. One in Iceland and one in Norway. So not only did they indicate — I am sorry — one

of the difficulties I have, they marked those photographs confidential so I am not able to show my client those photographs even though they are of his own machine which raises another problem we had in this case. And I would like the court, if so willing, to consider whether we can show these photographs to our client. But I in my own limited knowledge in asking questions with my client with respect to the design of his cookers back in 1991 I have determined that those are photographs taken in or about August of 1991 by Laitram's representative of a machine in Iceland, the cook machine that is the subject of the litigation and a cooker in Norway. So we have now shown, since they were sent to the Court, that they had no knowledge of the machines and so how could they back in 1991 bring a supposed infringement charge? We have developed a letter from Mr. Bjarnasson saying he has taken videos and photographs in May 1991. We have those series of apparently independent photographs taken by Laitram's representative. And you notice on the first one they're showing notes that they're doing an analysis of the machine in August 1991 and then in October of 1991. In another exhibit we presented to this court Mr. Lapeyre on behalf of Laitram says that they have undertaken a review of the Skrmetta Machinery with respect to whether or not they feel there is any infringement. We think those facts clearly show that Laitram knew in great detail about the Skrmetta machines and the court may also recall they acknowledged before that they serviced these machines. They have access to all these plants. Laitram and Skrmetta machines, they're side by side. That they did submit that information to a patent attorney and an opinion was rendered by that patent attorney back in 1991 that the Skrmetta machine did not infringe the Laitram patents.

Yet in connection with that same series of events back in 1991 Mr. Bjarnasson trying to scare away Mr. Skrmetta's client told him that an infringement suit was going to be brought against

either him or Skrmetta Machinery Corporation. So, again they know it does not infringe yet they assert these patent rights in a cloud that threatens people. And a patent litigation, as they have well said, is a very expensive proposition. So when you tell a potential customer that if they buy a Skrmetta machine there is going to be a patent infringement suit filed, you can usually forget that customer. So they used improper illegal means and they're not being honest with this court. And at the very same time in 1991 they had an inhouse patent counsel. Not this gentlemen, but an inhouse patent counsel sitting there in an adjacent office to Mr. Lapeyre who is writing this letter. And I find it inconceivable and all the other patent firms that these people had access to. And let me also point out that the newspaper said they made seventy-five million dollars for this past year so they are well able in all their litigation and also provided information on to do these kinds of things. That they did do it and they came to the conclusion in 1991 that there was no infringement and yet they still cloud the thing, still hold it back and then still try to do seriatim litigation which is terribly insensitive and terribly burdensome on this client who has been basically put out of business by that tactics of this monopolist who they have also knowledged in their commercial literature has ninety percent, in excess of ninety percent of the international market. And Skrmetta Machinery Corporation is their one and only ongoing competitor who is now probably next to zero in the market place.

THE COURT: Why don't you address his other argument?

MR. PUGH: With respect to the other patents in issue, Your Honor?

THE COURT: Right.

MR. PUGH: First of all there are three patents involved in this matter. They basically have now, after opposing this for a long period of time, one patent. All three of those patents, regardless of what the court decides with respect to this pending motion of Laitram, are going to stay in the case. They're the subject matter along with other patents of anti-trust, fraud on the patent office allegations and unfair competition with reference to those patents. So regardless of what the Court rules today all three of those patents are going to be in this law suit set to be tried in April. As we pointed out in opposition there is sufficient interrelationship between all three of these patents. The one that they have surrendered on, the second one, as opposed to includement on that, both of them are designed to be put on the type of peeling machine that is the subject matter of the third patent. So they are related. And our concern, and what we're trying to do is get all of these potentially called issues where they allege and make inferences to customers that if we're going to, we hope with the Court's approval wipe those off the slate so they can not be improperly used in the future against our client. So those three patents are going to be in the suit regardless.

Having the declaratory judgment aspect of the case in the case allows the court and the jury to invalidate those patents. That specific declaratory judgment statute allows the court to invalidate those three patents because of, for example, the fraud on the patent office we expect to show at the trial of this matter So they're related. They should be left in the case for all of those reasons. And we believe for those reasons the motion should be denied.

MR. VOGLER: Your Honor, just briefly. And it relates to, well, you know the old saying is if you can't attack the merits, you attack the attorney. These photographs which we did produce were ones I looked at in connection with my analysis

after November 16th which is when I had to scramble to do the patent infringement analysis. They're not confidential. I don't have any problem with that. But there was an agreement we mark everything confidential to expedite all the documents because they were producing thousands and thousands of documents. I don't want to call — But, there is a misunderstanding. The point I have been trying to make is that no one has done a patent infringement analysis and Mr. Pugh has no evidence. It has not been, and I told you why it has not been. At the time those letters were sent back in 1991, if you recall from last time I made this statement last time, "It's clear that Laitram didn't even know what their Skrmetta cooker looked like at that time." "At that time." If you recall those letters said we're going to try to take pictures, we're going to try to investigate, please don't infringe. So I think those statements that I made are appropriate and were correct. I have never represented that we didn't have access to the Skrmetta cookers or peelers after that date. And these photographs certainly support that which did come from Iceland that I had to scramble to get after your ruling. But just because an engineer or someone has access to the technical data it does not meet the burden and the obligation of the attorney to do a patent infringement analysis before a claim is made in a court of law and I did that, and I did it over the weekend after getting all this information based on your ruling because we needed to proceed with this matter and there have been no misrepresentations to the court. And believe me we're trying to proceed, streamline the issues appropriately and perceive what should be before this court in an efficient manner. And I do believe that if they're going to defend the patents that it would be appropriate, just and judicious to allow us to assert our claim.

And as far as the argument that these patents are going to be in the suit anyway, I just don't buy it as to those latter two patents. How could they have any effect on any liability if never

charged with infringement. They have no risk of infringement. They have no possible injury in the patents. There is just no probative value to any claim in this case that those two patents, that no one has asserted against them; no one says they infringed; no one has any involvement with could have any probative value in the law suit. So I disagree with that, Your Honor.

MR. PUGH: Your Honor, may I respond to one issue on confidentiality.

THE COURT: No.

MR. PUGH: May I raise one pending motion before Your Honor deciding on the brief without hearing.

THE COURT: What motion is that?

MR. PUGH: It's our motion concerning the Magistrate's objections that we have since appealed before Your Honor. It's a motion that was filed ten minutes late after midnight and suppose to be heard today.

THE COURT: We rescheduled that for the fourth.

MR. PUGH: The order indicates that you were going to do it on the briefs. Their brief was filed yesterday and I just wanted to make one comment.

THE COURT: I said you had the opportunity to submit it on briefs or if you all wanted to make oral argument I would allow you to do it on the fourth of January.

MR. PUGH: Your Honor, one problem with that timing is that close of discovery is February 14th. They're refusing to produce documents.

THE COURT: You want to submit it on the memo?

MR. PUGH: With some comments right now, if that's possible?

THE COURT: No.

MR. PUGH: We will submit it on the memo.

THE COURT: The motion to reconsider is denied in its entirety.

(End of proceedings.)

REPORTERS CERTIFICATE

I, Arlene Movahed, Official Court Reporter, for the United States District Court for the Eastern District of Louisiana, appointed pursuant to the provisions of Title 28, United States Code, Section 753, do hereby certify that the foregoing is a full, true and correct transcript of proceedings had in the within-entitled and numbered cause on the date hereinbefore set forth and I do further certify that the foregoing transcript has been prepared by me or under my direction.

_____

ARLENE MOVAHED
Official Court Reporter
United States District Court
Eastern District of Louisiana